

To: CABINET – 9 July 2012

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REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2012-13

1. Introduction

- 1.1 This is the first exception report for 2012-13. This report reflects the position for each of the portfolios, where the initial forecast for the year reflects an overall underspending position for the authority. This is a very promising position at this stage of the year especially considering a £100m savings requirement and every effort will be made to ensure that we remain within a balanced position.
- 1.2 The forecasts show the vast majority of the £100m savings are on track to be delivered; this is a promising position at this stage of the year. The intention remains that where delivery proves to be unlikely, equivalent savings elsewhere within the relevant portfolio will be made as appropriate.
- 1.3 The net £2.732m underspending shown in table 1 below reflects pressures within Specialist Children's Services and these are well known and reflect a continuation of the issues experienced in 2011-12, but these are more than offset by underspending on Adult Social Care, waste and treasury costs.
- 1.4 Details of issues faced within the capital programme are provided in section 3.

2. 2012-13 REVENUE MONITORING POSITION

- 2.1 A summary of the major forecast revenue pressures and savings, excluding schools, is shown in table 1 below:

Table 1: 2012-13 Revenue Pressures and Savings:

	£m	Pressure/Saving
Education, Learning & Skills	0	
Specialist Children's Services	+4.948	Continuation of the 2011-12 pressures relating to: <ul style="list-style-type: none">• looked after children, specifically in foster care;• use of agency staff, and• the Asylum service.
Adult Social Care & Public Health	-4.480	This forecast assumes that all savings will be achieved and that clients receiving a service in April will continue to receive a service all year at the average unit cost. Where more detailed information is available this has been used to inform the forecast, such as within Learning Disability where known children will be transferring to Adult Services during the year through transition and therefore an estimate of their likely costs has been included. Based on these assumptions, an underspend is expected on all client groups.
Environment, Highways & Waste	-1.000	Anticipated savings as a result of lower than budgeted waste tonnage assuming the trend experienced in 2011-12 continues.
Customer & Communities	0	

	£m	Pressure/Saving
Regeneration & Enterprise	0	
Finance & Business Support	-2.200	<p>-£0.159m relating to 2012-13 write down of discount saving from 2008-09 debt restructuring but as planned this will be transferred to the Economic Downturn reserve. In addition there are treasury savings as a result of deferring borrowing in 2011-12 due to the re-phasing of the capital programme and no new borrowing has been taken so far in 2012-13. Also, due to the re-phasing of the capital programme in 2011-12, it is likely that fewer assets became operational than expected and therefore we are anticipating a saving on Minimum Revenue Provision (MRP).</p>
Business Strategy, Performance & Health Reform	0	
Democracy & Partnerships	0	
Total	-2.732	

2.2 Families & Social Care Directorate:

2.2.1 The initial forecast for Families and Social Care indicates a pressure of £0.468m, +£4.948m within Specialist Children's Services and -£4.480m on Adult Social Care. It should be recognised however that the detailed forecasts with managers of the services are being worked on currently, to ensure that the full monitoring report to Cabinet in September has been constructed on a more firm base. Finance staff, alongside performance colleagues and budget managers, are also currently reviewing all cash limits and affordable levels of activity in light of the 2011-12 outturn and any changing trends in activity that have become apparent since the 2012-13 budget was set. As a result of this exercise and the restructure of Children's Services, requests for virement or for realignment of gross and income cash limits will be submitted as part of the first full monitoring report to Cabinet in September.

Some of the assumptions within this initial forecast are outlined within the separate sections for Specialist Children's Services and Adult Services below:

2.2.2 Specialist Children's Services:

The initial forecast indicates a pressure of £4.948m of which £1.984m relates specifically to the Asylum Service and £2.964m on the remainder of the service. The main reasons for this variance are:

- a) +£2.175m Looked After Children: The main area of pressure that is highlighted at this initial stage is in relation to the forecast for looked after children specifically in foster care. The budget was set with significant savings for assumed reductions in the numbers of looked after children. Some of the reduction can already be seen whereby we have significantly less mother and baby placements, and also the average unit cost we are paying for independent fostering placements has reduced. However, it is felt prudent at this stage to assume within the forecast the same number of children as at April for the remainder of the year, at the latest average unit cost, until we have more evidence of further reductions. It is however hoped that as the year progresses and more detailed forecasts are worked on this position will improve.
- b) -£0.340m Residential Services: This forecast underspend on residential services reflects the fact that the numbers of children placed in residential care has reduced and that unit costs are also beginning to reduce. However, as with Fostering, no further reductions are assumed in this initial forecast, until further evidence is gathered.

- c) +£1.279m Children's Social Care Staffing: A further risk area is in relation to the children's social care staffing budget. As we move towards the full restructure of the Children's teams and permanent appointments are made, it has been necessary to retain some agency staff in the interim. We have also had to set up a new County Referral Unit in advance of the main restructure, this coupled with the extended contracts of agency staff means that at this stage we need to highlight a potential pressure of £1.279m.
- d) An area which had significant financial pressures in 2011-12 was that for Legal Services. As a significant increase in budget was made for 2012-13 it is hoped that the costs can be contained within this. There is determination from within Legal Services, the Courts and FSC directorate to improve processes and reduce costs in this area. At this early stage we are fairly confident that the costs will be contained, but this is clearly an area that needs to be monitored closely over the next few months.
- e) +£1.984m Asylum: As negotiations continue with the UKBA regarding the funding of Over 18's with appeals rights exhausted and the Gateway Grant it is felt prudent to continue to forecast a pressure based on the funding position as existed in 2011-12. The forecast therefore assumes grant income as per 2011-12 and costs for those children and young people who we are supporting now. It must be acknowledged that this position may move as further discussions take place.
- f) The balance of -£0.150m is due to other smaller variances each below £0.1m.

2.2.3 Adult Social Care & Public Health:

The initial forecast indicates an underspend of £4.480m, which is broadly broken down across the client groups as follows:

	£m
Older People	-1.524
Physical Disability	-1.892
Learning Disability	-0.364
Mental Health	-0.700
	-4.480

- a) This initial forecast assumes that all of the savings for Adult Services will be achieved at this stage. Clearly at this early part of the year it is not possible to confirm that every saving will be made on every budget line, but overall it is felt that with the work that is taking place with both procurement and in transformation, that overall across Adult Services these savings will be made. There is some risk in relation to the savings for Learning Disability and whether this will all be achieved in the way that was originally anticipated. Historically this is an area which has always been under significant financial pressure, it is therefore important that any savings are tracked through the monitoring process and an update will be provided in the Quarter 1 monitoring report to Cabinet in September.
- b) The forecasts have mainly been arrived at by assuming that all clients receiving a service in April continue to receive a service all year, at the average unit cost, unless more detailed information is available at this early stage of the year.
- c) There are some exceptions to the above assumption in respect of Learning Disability, where known children will be transferring to Adult Services through transition. In these cases an estimate of their likely costs has been included in this forecast.
- d) Other budget lines which are not activity driven have been assumed to be either at the same level as 2011-12 outturn or at break-even if that is felt to be the most likely position.
- e) Clearly when more detailed forecasts are compiled over the next few weeks, this reported underspend position may change, but at this stage we feel that this is the best estimate, taking into account the 2011-12 outturn position along with the current patterns of activity in the first 2 months of the year.

2.3 Environment, Highways & Waste:

The budgeted waste tonnage for 2012-13 is 730,000 tonnes. Comparing this level of affordability with the final outturn figure for last year of 715,000 tonnes and combined with the experience of the last two financial years, this has allowed the Directorate to estimate that the final tonnage figure could be approximately 15,000 tonnes less than budgeted. This forecast reduction in activity has resulted in an underspend of £1m for Waste Management. We are also investigating whether the underspending that occurred in 2011-12 on other waste activities such as new income streams, will continue into 2012-13 and this will be reported in the quarter 1 report to Cabinet in September.

Whilst the Directorate has a direct influence over the disposal and recycling of waste, it has limited control over the amount of waste put into the system and any significant changes in waste tonnage will impact on the forecast outturn.

2.4 Customer & Communities:

Although a balanced position is currently forecast, in-year income sensitivity and the continuation of partnership contributions remain a financial risk on the basis that a significant proportion of the portfolio's budget is funded by grant or sales, fees and charges, and for the past couple of years the Community Learning Services, for example, have had unexpected in-year funding cuts; but at this stage there are no unanticipated pressures to be reported and future savings will be accelerated wherever possible to mitigate such risks.

2.5 Finance & Business Support (Financing Items budgets):

A net saving of £2.2m is forecast, which is due to:

- 2.5.1 -£0.159m relating to the write down in 2011-12 of the £4.024m discount saving on the debt restructuring undertaken at the end of 2008-09. (£3.865m was written down over the period 2008-12).
- 2.5.2 +£0.159m as the write down of the discount saving earned from the debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve, as planned
- 2.5.3 -£2.2m saving on the treasury budgets as a result of deferring borrowing in 2011-12 due to the re-phasing of the capital programme and also no new borrowing has been undertaken so far in 2012-13. In addition, the re-phasing of the capital programme in 2011-12 is likely to provide a saving on Minimum Revenue Provision (MRP) as it is likely that fewer assets became operational than anticipated. As reported in 2010-11, we have adopted the asset life method of calculating MRP. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an "MRP holiday". However, once these assets do become operational we will incur MRP in the following year. MRP is based on capital expenditure incurred in the previous year and therefore cannot be calculated until the previous year's accounts have been finalised and audited. It is unlikely therefore that this very complex calculation will be completed until after the quarter 1 report. Further details and confirmation of the level of saving will be provided in future reports.

3. 2012-13 CAPITAL MONITORING POSITION

3.1 There have been a number of cash limit adjustments since the published 2012-13 budget book, some of which have already been reported, full details are shown below:-

Table 2: Capital Cash Limit changes:

	£000s 2012-13	£000s 2013-14
1 As published 2012-13 Budget Book excluding PFI	278,885	215,685
2 Previously reported cash limit changes:		
Rephasing agreed in December, January & March monitoring	20,651	3,977
Faversham Family Centre (BSS)	26	
Modernisation Programme - Residual (ELS)	-132	
Mod 2011-12 - Lydd (ELS)	136	
Library Modernisation Programme (C&C)	43	
Kent Library and history centre (C&C)	10	
PROW Structural Maintenance (C&C)	10	
Community Learning & Skills service re-provision (C&C)	482	
Sittingbourne Northern Relief Road (E&E)	291	152
Cyclo Park (E&E)	150	
Coldharbour Gypsy Site	240	
3 Proposed rephasing per 2011-12 outturn report:		
Adults Social Care (exc PFI)	110	
Business Strategy & Support	1,325	
Education, Learning & Skills (exc Schools)	5,381	
Customer & Communities	979	
Enterprise & Environment	539	528
	309,126	220,342
4 PFI		35,210
	309,126	255,552

3.2 The current forecast capital position is shown in table 3 below.

Table 3: Capital Position

Portfolio	Variance This month £m	Roll Forward from 2011-12 £m	Explained Variance £m
Education, Learning & Skills	0.141	-0.021	0.162
Specialist Children's Services	1.952	0.101	1.851
Adult Social Care & Public Health	-2.251	0.147	-2.398
Environment, Highways and Waste	0.655	0.131	0.524
Customer & Communities	0.336	0.278	0.058
Regeneration & Enterprise	0.024	0.025	-0.001
Business Strategy, Performance & Health Reform	0.150	0.035	0.115
Total (excl Schools)	1.007	0.696	0.311
Schools	0	0	0
Total	1.007	0.696	0.311

This month the total variance is +£1.007m. Of this, £0.696m relates to roll forwards from 2011-12. This leaves a variance of +£0.311m which is broken down between a real variance of +£2.626m and rephasing of -£2.315m.

The main variances this month are detailed below:

3.3 **Education, Learning & Skills**

The variance is +£0.162m. Of this +£0.166m is a real variance and -£0.004m is due to rephasing. The real variance is made up of minor variances on a number of schemes, which will be funded by a mixture of grant and external funding.

3.4 **Specialist Children's Services**

The variance is +£1.851m. +£1.851m is real variance. Projects subject to real variances affecting 2012-13 are:

- Multi Agency Service Hubs (+£1.851m) real variance. Latest estimates reflect a pressure of £1.851m in 2012-13. Funding of the overspend is in the process of being resolved, and confirmation is awaited regarding additional funding sources to help ease the pressure.
- Transforming Short Breaks for Disabled Children (-£0.114m). This is a real underspend which is proposed to partially offset the pressure on the MASH projects above.

Overall there is a residual balance of +£0.114m on other projects.

3.5 **Adult Social Care & Public Health**

The variance is -£2.398m. Of this -£0.088m is a real variance and there is rephasing of -£2.310m. Projects subject to re-phasing and overall variances affecting 2012-13 are:

- Ebbsfleet (-£0.897m) rephasing and Eastern Quarry (-£0.521m) rephasing. These are both partnership schemes in which a private developer is concerned. Progress depends on the developer's judgement of the best time to begin.
- Dorothy Lucy Centre (-£0.500m) rephasing. The modernisation plan for the Dorothy Lucy Centre has been brought into line with the FSC Transformation Programme which will be reviewing the position of all residential provision. Plans will be developed for the overall Transformation Programme over the next few months with implementation phased according to strategic priorities over the medium term.
- Public Access Development (-£0.278m) rephasing – commissioning of work has been delayed by restructuring.
- Home Support Fund (-£0.114m) rephasing. This rephasing reflects a re-profiling of the commitment.

Overall there is a residual balance of -£0.088m on other projects.

3.6 **Environment, Highways & Waste**

The variance is +£0.524m. This is a real variance in 2012-13. Projects subject to real variances affecting 2012-13 are:

- Energy & Water Efficiency Investment (+0.112m) to be funded by previous year's school loans repayments.
- Ashford – Drovers Roundabout (+£0.300m). This reflects best estimates on negotiations and settlements of claims relating to the final account, with the contractor. The overspend will be funded by additional grant.

Overall there is a residual balance of +£0.112m on a number of other projects.

3.7 **Customer & Communities**

The variance is +£0.058m. This is a real variance made up of a number of minor variances across several projects.

3.8 **Regeneration & Enterprise**

The variance is -£0.001m.

3.9 **Business Strategy, Performance & Health Reform**

The variance is +£0.115m. This is a real variance on the following project:

- Connecting Kent (+£0.115m): Demand for service has exceeded expected levels which has resulted in additional funding for KCC from BT of £0.115m.

4. **RECOMMENDATIONS**

Cabinet is asked to:

4.1 **Note** the initial forecast revenue and capital budget monitoring position for 2012-13.

4.2 **Note** the changes to the capital programme.

4.3 **Agree** that £0.114m of saving on the Transforming Short Breaks for Disabled Children is used to ease the pressures on the MASH projects.